



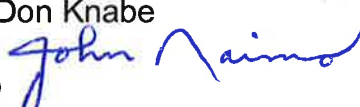
JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 15, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **LIVING ADVANTAGE, INC. – A COMMUNITY AND SENIOR SERVICES’
LOS ANGELES COUNTY YOUTH JOBS PROGRAM CONTRACT
SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL
YEARS 2013-14 AND 2014-15**

We completed a contract compliance review of Living Advantage, Inc. (Living Advantage or Agency), a Community and Senior Services’ (CSS) Los Angeles County Youth Jobs Program (LAC Youth Jobs) provider. Our review covered a sample of transactions from Fiscal Years (FY) 2013-14 and 2014-15. The purpose of our review was to determine whether Living Advantage provided services in compliance with their County contracts and LAC Youth Jobs requirements, and appropriately accounted for and spent LAC Youth Jobs funds.

LAC Youth Jobs Program provides paid work experience to youth and young adults between the ages of 14 to 21 years old from the California Work Opportunities and Responsibility to Kids (CalWORKs), Foster, Probation, Homeless, General Relief Programs, and low-income households.

CSS compensates Living Advantage on a cost-reimbursement basis and their contracts for FYs 2013-14 and 2014-15 totaled approximately \$396,000. Living Advantage provides services to participants residing in the Second Supervisorial District.

Results of Review

Our review noted Living Advantage billed CSS \$111,544 in questioned costs and did not implement internal controls to accurately account for Program expenditures. For example:

- Living Advantage did not maintain adequate segregation of duties. For example, the Agency's Executive Director and Program Director had unrestricted access to the Agency's two bank accounts and funds were transferred to the Executive Director's business bank accounts. Both the Executive Director and Program Director also had the authority to make purchases, approve invoices for payment, and prepare and sign the checks.

Living Advantage's attached response indicates that starting February 2015, the Agency established and maintained adequate segregation of duties and other controls to ensure funds are accurately accounted for and safeguarded.

- Living Advantage did not maintain accounting records, such as a general ledger, to track FY 2013-14 expenditures, totaling \$100,190, and July through September 2014 Program expenditures, totaling \$1,511. As a result, we could not validate the accuracy of the \$101,701 (\$100,190 + \$1,511) billed to CSS.

Living Advantage's attached response indicates that they provided adequate documentation to support the expenditures. However, the documentation submitted did not reconcile to the amount billed to CSS. For example, none of the 30 expense categories billed for FY 2013-14 reconciled, and many expenses were billed under inappropriate expense categories.

- Living Advantage did not maintain adequate documentation to support \$9,194 (\$7,129 + \$2,065) billed in FY 2014-15.

Living Advantage's attached response indicates that they provided adequate documentation to support the expenditures. However, Living Advantage did not provide vendor invoices, subcontractors' agreements, cancelled checks, and/or prior written approval from CSS for the subcontractors.

- Living Advantage did not employ at least one part-time accountant on staff as required by Section 8.2 of Exhibit A of their County contract.

Living Advantage's attached response indicates that they have been interviewing accountants and will be in compliance by April 2015.

- Living Advantage operated the LAC Youth Jobs Program from the Executive Director's personal residence which is owned by the Executive Director's mother and

located in a residential area. For lease payments made to related parties, Office of Management and Budget (OMB) Circular A-122 limits related party lease costs to the related organization's actual costs of ownership. Living Advantage did not provide adequate documentation, such as documentation to support the Executive Director's actual costs, a rental agreement, or how the amount billed to CSS was calculated.

Living Advantage's attached response indicates that they submitted a new rental agreement to CSS on March 2, 2015, and attached supplemental documentation to support the amount to bill CSS. However, Living Advantage did not provide documentation to support that the lease payments are in compliance with OMB Circular A-122.

Based on Living Advantage's significant financial and administrative issues, CSS should consider placing the Agency on the County's Contractor Alert Reporting Database (CARD) and consider terminating their contract with Living Advantage.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Living Advantage and CSS. Living Advantage's attached response indicates that they generally concurred with our findings and recommendations. Living Advantage's response also indicates that CSS did not provide them with financial management technical training or their final contract. CSS management indicated that Living Advantage received financial management technical training and the final contract. CSS management indicated that they will work with Living Advantage to ensure that our recommendations are implemented.

We thank Living Advantage management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:yp

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Felicia Savage, Acting Board Chairperson, Living Advantage, Inc.
Pamela R. Clay, Executive Director, Living Advantage, Inc.
Public Information Office
Audit Committee

**LIVING ADVANTAGE, INC.
LOS ANGELES COUNTY YOUTH JOBS PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

ELIGIBILITY

Objective

Determine whether Living Advantage, Inc. (Living Advantage or Agency) provided services to eligible individuals for the Los Angeles County Youth Jobs (LAC Youth Jobs) Program.

Verification

We reviewed the case files for 15 (14%) of the 108 participants who received services from April through September 2014 for documentation to confirm their eligibility for LAC Youth Jobs Program services.

Results

Living Advantage did not maintain adequate documentation to support the eligibility for one (6%) of the 15 participants reviewed. Specifically, Living Advantage did not obtain documentation to support the participant's right-to-work as required by the 2014 LAC Youth Jobs Technical Assistance Guide (TAG). Subsequent to our review, Living Advantage provided additional documentation to support the participant's right-to-work.

Recommendation

1. **Living Advantage, Inc. management maintain adequate documentation to support the participant's eligibility.**

BILLED SERVICES

Objective

Determine whether Living Advantage maintained documentation to support the appropriate services in accordance with their County contracts and LAC Youth Jobs guidelines.

Verification

We visited Living Advantage's service site, and reviewed the case files for 15 (14%) of the 108 participants who received services from April through September 2014.

Results

Living Advantage did not maintain the required Language Designation Form in the participants' case files as required by the 2014 LAC Youth Jobs' TAG for ten (67%) of the 15 participants reviewed.

Recommendation

2. Living Advantage, Inc. management ensure that the required documents are maintained in participants' case file.

CASH/REVENUE**Objective**

Determine whether Living Advantage properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's two bank accounts' activity and bank reconciliations for June and July 2014.

Results

Living Advantage did not maintain adequate controls to ensure funds were accurately accounted for and safeguarded. Specifically:

- Living Advantage did not maintain adequate segregation of duties over cash. For example, the Agency's Executive Director and Program Director had unrestricted access to the Agency's two bank accounts and were authorized check signers. In addition, the Agency's Executive Director transferred funds to her personnel business bank accounts and reviewed and approved the bank reconciliations.
- Living Advantage did not properly prepare their payroll and operating bank reconciliations. Specifically, Living Advantage was unable to provide accounting records to support their June and July 2014 operating bank reconciliations' book balance. In addition, Living Advantage did not complete the reconciliations in a timely manner as required by Section B.1.3 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook). The Agency completed their June and July 2014 payroll bank reconciliations and their June 2014 operating bank reconciliation in August 2014.

- Living Advantage did not require two signatures on checks over \$500. According to Section B.2.1 of the A-C Handbook, two signatures are required on all checks over \$500. Subsequent to our review, Living Advantage revised their check signing policy to require two signatures on all checks over \$500.

Recommendations

Living Advantage, Inc. management:

3. **Establish and maintain adequate segregation of duties and other controls to ensure funds are accurately accounted for and safeguarded.**
4. **Ensure bank reconciliations are properly prepared and approved in a timely manner.**
5. **Ensure compliance with the Agency's revised check signing policy to require two signatures on all checks over \$500.**

EXPENDITURES/COST ALLOCATION PLAN

Objective

Determine whether Living Advantage's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures billed to the LAC Youth Jobs were allowable, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 30 non-payroll expenditures, totaling \$10,681, that the Agency billed to LAC Youth Jobs for Fiscal Year (FY) 2014-15.

Living Advantage billed Community and Senior Services (CSS) \$100,190 in FY 2013-14 and \$91,820 in FY 2014-15 as of September 2014.

Results

Living Advantage prepared their Plan in compliance with their County contract. However, Living Advantage did not maintain an appropriate accounting system to track expenditures and revenues for FY 2013-14 and the first quarter of FY 2014-15. In addition, the Agency inappropriately billed CSS \$9,577 (90%) of the \$10,681 reviewed for FY 2014-15. Specifically:

- Living Advantage did not maintain accounting records, such as a general ledger, to track FY 2013-14 expenditures, totaling \$100,190, and July through September

2014 program expenditures, totaling \$1,511. As a result, we could not validate the accuracy of the \$101,701 (\$100,190 + \$1,511) billed to CSS.

The Agency indicated that their staff lacked sufficient accounting knowledge to implement an accrual-based accounting system to track financial activity as required by Section 15.0 of Exhibit A of their County contract. According to the Agency's Executive Director and their contracted part-time accountant, unpaid debt and uncollected receivables were not always recorded. As such, the Agency was unaware of their total liabilities due or revenues.

Subsequent to our review, Living Advantage submitted additional documentation to support the questioned program expenditures. However, the additional documentation did not adequately support the questioned costs.

- Living Advantage did not maintain adequate documentation, such as vendor invoices, cancelled checks, agreements, logs, etc., to support \$7,129 (67%) of the \$10,681 reviewed.
- Living Advantage subcontracted with a training instructor and a part-time accountant without obtaining prior written consent from CSS as required by Section 13.1 of Exhibit A of their County contract. Questioned costs totaled \$2,065 (19%) of the \$10,681 reviewed.
- Living Advantage billed CSS for an employee's out-of-state car registration and repair costs for the employee's personal vehicle, which is unallowable. Questioned costs totaled \$383 (4%) of the \$10,681 reviewed.

We also noted other areas where the Agency did not comply with other expenditure related contract requirements. Specifically:

- Living Advantage did not comply with their internal procurement policy when procuring their contractors to perform services. Specifically, Living Advantage did not obtain written quotes or bids for the contractors used for the Program.
- Living Advantage did not submit the Detailed Expenditure Report on a monthly basis as required by Section 15 of their County contract.

Recommendations

Refer to Recommendation 3.

Living Advantage, Inc. management:

- 6. Repay Community and Senior Services \$111,278 (\$101,701 + \$9,577) or provide additional documentation to support the expenditures.**

7. **Maintain adequate documentation to support expenditures.**
8. **Obtain prior written approval from Community and Senior Services for all matters that require prior written approval as specified in their County contract.**
9. **Bill Community and Senior Services for allowable program expenditures.**
10. **Maintain sufficient accounting records, ensure the accounting records are up-to-date, and on an accrual basis.**
11. **Ensure purchases are properly procured based on all applicable rules and regulations.**
12. **Submit the Detailed Expenditure Report on a monthly basis.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency was in compliance with LAC Youth Jobs Program and other County contract administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and conducted an on-site visit.

Results

Living Advantage operated the LAC Youth Jobs Program from the Executive Director's personal residence which is owned by the Executive Director's mother and located in a residential area. The issues with Living Advantage's Program site are significant and impact their ability to provide sufficient Program services. In addition, the Agency did not maintain staffing with the required technical expertise, nor did they retain records in accordance with their County contract. Specifically:

- Living Advantage did not obtain a proper building occupancy permit from local authorities to conduct business in a residential area as required by Section 21 of Exhibit A of their County contract, or disclose to CSS a conflict of interest by providing services from the Executive Director's personal residence.
- Living Advantage did not ensure their site's physical location was accessible to the public and in compliance with Americans with Disabilities Act of 1990 requirement as required by Section 22 of Exhibit A of their County contract.

- Living Advantage did not maintain the operating hours between 8:00 a.m. to 5:00 p.m. as required by Section 22 of Exhibit A of their County contract. Based on our observation, Living Advantage opened and closed at different times each day depending on the Executive Director's personal schedule.
- Living Advantage did not employ at least one part-time accountant on staff as required by Section 8.2 of Exhibit A of their County contract, but contracted with an independent contractor to perform accounting service without obtaining prior written approval from CSS.
- Living Advantage did not maintain appropriate documentation to substantiate that all worksite supervisors were aware of their responsibilities and received orientation concerning the LA Youth Jobs Program as required by Section 7.3 of Exhibit A of their County contract. Subsequent to our review, Living Advantage provided copies of signed acknowledgement forms from the worksites supervisors.
- Living Advantage's record retention policy did not require contract documents to be retained for five years as required by Section 8.37 of their County contract. According to the Agency's record retention policy, Living Advantage is only required to retain their records for three years. Subsequent to our review, Living Advantage revised their record retention policy to require contract documents to be retained for five years.
- For lease payments made to related parties, Office of Management Budget Circular A-122 limits related party lease costs to the related organization's actual costs of ownership. Living Advantage did not provide adequate documentation, such as documentation to support the Executive Director's actual costs, a rental agreement, or how the amount billed to CSS was calculated.

Recommendations

Living Advantage, Inc. management:

- 13. Immediately disclose all conflict of interest matters to Community Senior Services.**
- 14. Submit the rent agreement and repay Community and Senior Services for any related party rent payments that exceeded the lower of actual costs or the reasonable costs.**
- 15. Comply with all applicable occupancy, building, and Americans with Disabilities Act of 1990 rules and regulations.**
- 16. Maintain office hours between the hours of 8:00 a.m. to 5:00 p.m. as required by their County contract.**

17. Staff, at minimum, a part-time accountant with appropriate qualifications.
18. Maintain documentation to support worksite supervisors received orientation concerning the Los Angeles County Youth Jobs Program.
19. Ensure compliance with Living Advantage's revised record retention policy to retain contract documents for five years.

PAYROLL AND PERSONNEL

Objective

Determine whether Living Advantage and participant employers appropriately charged payroll costs to the LAC Youth Jobs Program in accordance with their County contract and Program requirements. In addition, determine whether the Agency obtained background clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance.

Verification

We compared the LAC Youth Jobs payroll costs for five employees and 13 participants, totaling \$17,116 for July 2014, to the Agency's payroll records and time reports. We also reviewed the five employees' personnel files.

Results

Living Advantage did not maintain adequate controls over its payroll and personnel functions. Specifically:

- Living Advantage did not maintain adequate documentation, such as cancelled checks and/or timecards, to support the payroll expenditures for all five (100%) employees' and 13 (100%) participants' reviewed. Subsequent to our review, Living Advantage provided signed timecards and cancelled checks to support 17 (94%) of the 18 payroll expenditures reviewed. For the remaining expenditure, the participant's timecard did not support \$266 billed to CSS.
- Living Advantage's Executive Director stored 67 unopened payroll checks in her unlocked desk drawer. According to the Executive Director, the payroll checks were not distributed to the participants and employees for various reasons. Due to the Agency's lack of accounting records, we could not verify whether the payroll check amounts were valid or billed to CSS.
- Living Advantage did not obtain criminal background clearances for four (80%) of the five employees reviewed, and did not provide the personnel file for one (20%) employee. In addition, Living Advantage did not maintain current personnel records,

such as the employee's authorized salary rate, proof of auto insurance, and/or driver's license, in the employee's personnel file as required by Section 7.5 of their County contract for all four (100%) remaining employees reviewed. Subsequent to our review, Living Advantage provided driver's licenses for three employees.

- Living Advantage's Executive Director and Program Director have unrestricted access to both personnel and payroll records.
- Living Advantage did not have adequate policies and procedures in place for hiring, adding, and removing employees from payroll, or changing rates of pay.
- Living Advantage did not maintain a log of payroll check distribution, or resolve undistributed payroll checks. Subsequent to our review, Living Advantage provided a copy of their payroll check log for September 2014 with signatures from staff and participants indicating they received their payroll checks.
- Living Advantage did not conduct regular performance evaluations of their employees.

Recommendations

Refer to Recommendations 3 and 10.

Living Advantage, Inc. management:

- 20. Repay Community and Senior Services \$266 for unsupported payroll expenditures, or provide adequate documentation to support their payroll expenditures.**
- 21. Repay Community and Senior Services for any unpaid payroll expenditures.**
- 22. Ensure timecards are signed by employees and approved by supervisors.**
- 23. Ensure criminal background clearances are obtained for all Program employees.**
- 24. Ensure all required personnel documentations are maintained in employees' personnel files.**
- 25. Maintain adequate controls over their payroll and personnel functions.**

Living Advantage, Inc.



The mission of Living Advantage is to utilize innovative technology and social media to reduce unemployment, homelessness and incarceration for foster care youth living in Los Angeles County. We offer continuous support for their education, career, health and independent living skills necessary for self-sufficiency.

March 15, 2015

County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Admiration
500 west Temple Street, Room 525
Los Angeles, CA 90012-3873

Dear Mr. John Naimo:

This is Living Advantage's 1st year contracted with CSS- LA County Youth Jobs Monitoring Program. Upon starting the contract, unfortunately, CSS did not give Living Advantage any financial management technical training plus there was some chaos and confusion on how certain policy and procedures needed to be handled by CSS. In the 1st Phase of this contract, there were many changes in the procedures that were put in to place quickly by CSS. As the Executive Director I asked many questions to CSS Financial Management Technical Staff and they were uncertain of the procedures, plus many of them changed their positions and then I had to deal with new staff. I read all of the agreements and exhibits emailed to me and still were not clear of certain procedures. I even emailed requesting assistance, see enclosed. I appreciate the patience giving to Living Advantage from the Auditors Controller office and do understand that our accountant should have had better knowledge of the GPA format in which CSS requested that would keep Living Advantage in compliance with the County contracts financial reporting, internal controls and accounting records.

As of February 25, 2015 Living Advantage has received the final Master Agreement and additional exhibits. After the exit conference was held on February 25, 2015, and with the information shared during meetings and site visit, we have made many necessary changes to ensure we are in compliance with the Program. We have taking all recommendations and instructions and are applying them immediately. Living Advantage will make all corrections and again, accept any recommendation to be in full compliance to this audit review and to the CSS- LA County Youth Jobs Program. Please accept Living Advantage's written response and corrective action plan below.



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PamelaClay@LivingAdvantageInc.org

www.LivingAdvantageInc.org

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ELIGIBILITY

Auditors-Controller Recommendation

1. Living Advantage management maintained adequate documentation to support the participant's eligibility.

Living Advantage Response and No Corrective Action Plan Needed

1. Living Advantage management will continue to maintain adequate documentation to support the participant's eligibility.

BILLED SERVICES

Auditors-Controller Recommendation

2. Living Advantage management ensures that the required documents are maintained in participants' case file.

Living Advantage Response and Corrective Action Plan

2. As September, 2014 Living Advantage, Inc. has maintained Language Designation Form (PA-481) in the CAL Works participants' case files as required per SOW and upon having the CSS trainings will continue to comply with recommendation.

Language and complaint forms are placed in files appropriately per SOW of 26.1.2.3 and confirmed in CSS training review back in September, 2014 and at a training on 2/13/15. This issue was address that complaint forms are to be placed in participant files ONLY if and when a Complaint of Discriminatory Treatment (Form PA-607) is filed and the Language Designation Form (PA-481) are to be signed and placed in only Cal Works files. See exhibit# C

CASH/REVENUE

Auditors-Controller Recommendation

Living Advantage management:

3. Establish and maintain adequate segregation of duties and other controls to ensure Program funds are accurately accounted for and safeguarded.
4. Ensure bank reconciliations are properly prepared and approved in a timely manner.
5. Ensure compliance with the Agency's revised check signing policy to require two signatures on all checks over \$500.

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Living Advantage Response and Corrective Action Plan

3. Living Advantage has established and maintained adequate segregation of duties and other controls starting February, 2015 to ensure Program funds are accurately accounted for and safeguarded. The main reason why the Executive Director has unrestricted access to the agency's general account and payroll account is to insure no one mishandles the funds. According to CSS Youth Program Exhibit I SOW - as long as an employee who does not handle cash shall record all cash receipts. That has always been Living Advantage's procedure. Now we use a purchase order with two signatures, see attached. These responsibilities have been adjusted to comply by disbursements being approved by someone other than the Executive Director. Funds will no longer be transferred between any other business accounts. The Executive Director has never approved nor has any idea of how to do bank reconciliation. Only the accountant handles this duty.

Also, when checks are received by mail two employees are responsible for opening the mail and listing the checks and checks are endorsed immediately. There have not been any cash receipts but if we do receive cash receipts in the future they will be recorded on pre-numbered receipts and reconciled with deposits by someone other than the Executive Director.

4. As of Sept, 2014 Living Advantage accountant prepares and approves the payroll and general operating bank reconciliations in a timely manner. Living Advantage has provided accounting records to support their June and July 2014 operating bank reconciliations' book balances. The DER Reconciliation Report for Phase 1 reconciles with the Phase 1 Allocation Report, see attached in email, (will print out for CSS if needed). It identifies the expenses and accounts from the QuickBooks accounting system and how it translates to the Phase 1 DER Report and Budget Categories.

5. Living Advantage has complied with the recommendation according to Section B.2.1 of the A-C Handbook that requires two signatures on all checks over \$500 starting April 1, 2015.

EXPENDITURES/COST ALLOCATION PLAN

Auditors-Controller Recommendation

Living Advantage management:

6. Repay Community and Senior Services \$111,278 or provide additional documentation to support the expenditures.

7. Maintain adequate documentation to support expenditures.

8. Obtain prior written approval from Community and Senior Services for all matters that require prior written approval as specified in the County contract.

9. Bill Community and Senior Services for allowable program expenditures.

10. Maintain sufficient accounting records; ensure the accounting records are up to date, and on an accrual basis.

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11. Ensure purchases are properly procured based on all applicable rules and regulations.
12. Submit the Detailed Expenditure Report on a monthly basis.

Living Advantage Response and Corrective Action Plan

Refer to Recommendation #3.

6. Living Advantage has complied with the recommendation to establish and maintain adequate segregation of duties and other controls to ensure Program funds are accurately accounted for and safeguarded. Living Advantage has provided accounting records to support their June and July 2014 operating bank reconciliations' book balances. The DER Reconciliation Report for Phase 1 reconciles with the Phase 1 Allocation Report, see attached. It identifies the expenses and accounts from the QuickBooks accounting system and how it translates to the Phase 1 DER Report and Budget Categories to justify the \$111,278.

7. Living Advantage has established and maintained adequate segregation of duties and other controls to ensure Program funds are accurately accounted for and safeguarded. Since the start of Phase II, August, 2014, Living Advantage submits monthly Cash Request, allocation reports and supplemental documentations. The accountant reconciles payroll and general operating bank accounts. According to A/C Handbook, sec 3.2 Supporting Documentation All revenues and expenditures shall be supported by original vouchers, invoices, receipts, or other documentation and shall be maintained in the manner described herein. Invoices, receipts, canceled checks and other documentation, including electronic documentation clearly establishing the nature of the expenditure and its relevance to the COUNTY program being contracted for shall be required to support an outlay of funds.

Twice Living Advantage did submit requested documentation such as vendor invoices, agreements and electronic bank verifications to support questioned expenditures totaling \$7,129.00. Auditor Controllers simply only wants cancelled checks. Living Advantage will comply with the recommendation to start writing checks by April, 2015.

8. As of the exit conference 25, 2015 Living Advantage has complied with the recommendation to obtain prior written approval from Community and Senior Services for all matters that require prior written approval as specified in the County contract, please see attached.

9. Living Advantage billed CSS for \$383 to reduce the hourly rate to half the amount for the PET training. In one week the savings was over 150%. Again, Living Advantage will comply with the recommendation to obtain prior written approval from Community and Senior Services for all matters that require prior written approval as specified in the County contract, please see attached.

10. Accrual Basis Accounting – Living Advantage will completely switch our accounting from cash basis to accrual basis by April, 2015. We record expenses as they occur and maintain an accounts payable to provide a record of all liabilities as of a certain date. Income is recorded when earned and we maintain an accurate receivables account to show all outstanding invoices. Payroll and other required expenses will be accrued when necessary.

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11. Living Advantage will comply with the recommendation for our internal procurement policy when procuring our contractors to perform Program related services. We will also ensure purchases are properly procured based on all applicable rules and regulations by obtaining bids or quotes for the contractors used for the Program. Living Advantage received a verbal acceptance of the contractors used in the past. Starting February 25, 2015, after the exit conference Living Advantage will always retrieve at least 2 bids or quotes prior to accepting contractors.

12. Living Advantage will comply with the recommendation to submit the Detailed Expenditure Report on a monthly basis starting April, 2015.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Auditors-Controller Recommendation

Living Advantage management:

13. Immediately disclose all conflict of interest matters to CSS.

14. Submit the rent agreement and repay CSS for any related party rent payments that exceeded the lower of actual costs or the reasonable costs.

15. Comply with all applicable occupancy, building and American with Disability Act of 1990 rules and regulations.

16. Maintain office hours between the hours of 8:00a.m. To 5:00p.m. as required by the County contract.

17. Staff, at minimum, a part-time accountant with appropriate qualifications.

18. Maintain documentations to support worksite supervisors received orientation concerning the LAC Youth Jobs Program.

19. Ensure compliance with the Agency's revised record retention policy to retain contract documents for five years.

Living Advantage Response and Corrective Action Plan

13. Living Advantage feels it has always complied with the recommendation to immediately disclose all conflict of interest matters to CSS. Living Advantage does not feel it is a conflict of interest. According to AC Handbook section 4.4 Rental Costs of Buildings and Equipment are allowable to the extent that the rates are reasonable considering rental costs of comparable property, market conditions in the area, condition of the property being leased, etc. Living Advantage supplied supplemental documentation showing reasonable rates. Also according to Office of Management and Budget (OMB) Circular A-122, Audits of States, Local Governments, and Non-Profit Organizations, (Circular A-122) section 43. Rental costs of building and equipment b. rental cost under "sale and lease back arrangements are allowable

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only up to the amount that would be allowed had the non-profit organization continued to own the property this amount would include expenses such as depreciation or use allowance, maintenance, taxes and insurance. c. rental cost "less than arm's length" leases are allowable only up to the amount (as explained in subparagraph b. of this paragraph 43.) that would be allowed has title to the property vested in the non-profits organization.

14. Living Advantage has complied with the recommendation and has submitted another rental agreement March, 2, 2015 to CSS.

15. Prior to the February 25, 2015 exit conference, Living Advantage has started the process to comply to obtain proper building occupancy permit from local authorities to conduct business in a residential area as required by Section 21 of Exhibit A of the County contract. Living Advantage will continue process and have matter completed by June, 2015. October 22, 2014 Living Advantage received the access certification to ensure the program site's physical location was accessible to the public and in compliance with Americans with Disabilities Act of 1990 requirement as required by Section 22 of Exhibit A of the County contract. We are complying with all applicable occupancy building and American with Disability Act of 1990 rules and regulations. See attached Americans with Disabilities Act of 1990 requirement Access Inspected Certification and Accessible Plan.

16. As of February 25th Living Advantage received writing approval to Maintain office hours between the hours of 10:00a.m. to 6:00p.m. from CSS as required by the County contract.

17. As of February, 5th, 2015 Living Advantage has been interviewing an accountant to be hired as a part time staff with appropriate qualifications. Living Advantage will be in compliance with the recommendation to have an accountant on staff by April, 2015.

18. Maintain documentations to support work site supervisors received orientation concerning the LAC Youth Jobs Program. Supervisor signed orientation forms have been placed in files since September 30, 2015.

19. Ensure compliance with the Agency's revised record retention policy to retain contract documents for five years. Agency compliance record retention policy has been update to ensure documents are retained for five years.

PAYROLL AND PERSONNEL

Auditors-Controller Recommendation

Living Advantage management:

Refer to Recommendations #3 and 10.

20. Repay Community and Senior Services \$266 for unsupported payroll expenditures, or provide adequate documentation to support their payroll expenditures.

21. Repay Community and Senior Services for any unpaid payroll expenditures.

22. Ensure timecards are signed by employees and approved by supervisors.

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23. Ensure criminal background clearances are obtained for all Program employees.
24. Ensure all required personnel documentations are maintained in employees' personnel files.
25. Maintain adequate controls over their payroll and personnel functions.

Living Advantage Response and Corrective Action Plan

20. Living Advantage has complied with recommendations #3 and #10 by establishing and maintaining adequate segregation of duties and other controls starting February, 2015 to ensure Program funds are accurately accounted for and safeguarded. Living Advantage will provide adequate documentation to support the payroll expenditures of \$266 for a participant by April, 2015.

21. Living Advantage has complied with recommendation #3 and #10 by establishing and maintaining adequate segregation of duties and other controls starting February, 2015 to ensure Program funds are accurately accounted for and safeguarded in order to not have to repay for lack of supporting or adequate documentation.

22. As of September, 2014 Living Advantage has complied with recommendation to ensure ALL timecards are signed by employees and approved by supervisors.

23. Since 1996 all Living Advantage employees have criminal background clearances. On March 2, 2015 Living Advantage received the Master Agreement and all Exhibits which contained Exhibit R that has a list of the certified background investigation agencies that CSS require for the Program. Living Advantage will comply with recommendation to have all staff and any other staff working with the Program to get criminal background clearances at those certified locations.

24. As of February 25th Living Advantage has checked all personnel documentation to ensure they are maintained and up to date in employees' personnel files.

25. Living Advantage will comply with the recommendation to maintain adequate controls over their payroll and personnel functions by having regular performance evaluations of all full time employees on a consistent basis.

Living Advantage appreciates all opportunities to be able to service Los Angeles County and look forward to resolving all issues in an ample time period. We thank you for your in-depth audit that will guide our organization to a better quality of service and higher level of financial management.

Sincerely,

Pamela R. Clay